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Technology neutral policies will deliver lower bills

A move to “technology neutral” carbon policy could save a typical residential electricity customer \$234 per year while still meeting Australia’s emission reduction targets.

Speaking at *Australian Domestic Gas Outlook 2016*, Energy Networks Association (ENA) CEO, John Bradley, released analysis from a forthcoming Jacobs report on carbon abatement policy options and the outcomes for consumers.

“Australia’s carbon policy is at a crossroads and the next Federal Government will determine how efficiently we meet the 2030 carbon abatement commitments from Paris,” Mr Bradley said.

“Governments can save the Australian economy over \$600 million and electricity customers \$234 per year by allowing all low emission technologies to play their role in meeting current targets.

“Left as they are, Australia’s abatement programs will see residential electricity bills 15% higher than they need to be to achieve our emission reduction targets.”

The Jacobs analysis compared a *Business as Usual* scenario (where current State and Federal policies continue to focus on renewables) with a *Level Playing Field* scenario (using a Low Emission Target and subsidies based on abatement not technology) and an *Explicit Carbon Price* scenario.

“Our current policy settings squeeze out low emission fuels like gas that can have one-quarter to one-sixth the carbon intensity of mains electricity,” Mr Bradley said.

“The analysis shows, if policies focus on least cost abatement, Australia will still see a surge in renewable generation, but will also make efficient use of high quality gas resources and save customers over \$2500 by 2030.”

Mr Bradley said the savings from technology neutral policy settings could be enough to offset an increase in the abatement target from 26-28% below 2005 levels by 2030, to 45%.

“Jacobs analysis shows a typical residential electricity bill in 2030 would be lower under a 45% target scenario with a Level Playing Field, than under the smaller 26-28% abatement target with our current, inefficient policy mix.

“The lowest residential electricity bills were achieved with a Level Playing Field, where the Renewable Energy Target evolves to a low emissions target and today’s Safeguard Mechanism becomes a ‘baseline and credit’ scheme allowing some trading.”

Mr Bradley said the Jacobs analysis indicated an explicit carbon price delivered the lowest cost to the Australian economy, with savings of up to \$8.2 billion under a 45% target, when compared to current policy settings.

However, in this scenario, residential electricity bills were higher and the household financial outcome would depend on how any offsetting payments were made from scheme revenue.

“Australian energy ministers rightly recognise the need for better integration of carbon and energy policy,” Mr Bradley said.

“Australia can achieve its current and future carbon targets efficiently and minimise the impacts on electricity customers, but this will require a level playing field from government policy.”

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Preliminary findings of the Jacobs analysis *Australia's Climate Policy Options: A Study of Policy Options for the Energy Networks Association* can be accessed at ena.asn.au.

See attached Fact Sheet.

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The Energy Networks Association is the peak national body representing Australia's electricity transmission and distribution networks and gas distribution networks on economic, technical, environmental and safety regulation, and national energy policy issues. ENA members provide energy to virtually every household and business in Australia.

Fact Sheet: Jacobs analysis of carbon policy options

Scenario	Key Features
Business As Usual	Assumes the continuation of the diverse range of various State and Federal abatement initiatives which prescribe specific technologies (e.g. renewables) or scale (e.g. SRES, FiT) and the extended use of a binding Safeguards Mechanism which limits sectoral emissions without trading. In addition, in the 45% target scenario a carbon price and 50% RET is assumed.
Level Playing Field	Assumes the current abatement initiatives are made technology neutral (eg. via a low emissions target scheme) and indifferent to scale. In the 26-28% target, it assumes that the Safeguards Mechanism evolves to a baseline & credit mechanism permitting trading among participants. In addition, in the 45% target scenario a carbon price and 50% LET is assumed.
Explicit Carbon Price (only)	This scenario assumes that an explicit carbon price is established through a mechanism equivalent to a whole of economy carbon tax or emissions trading scheme. All other abatement policies (eg RET, SRES) are removed

